NEW JERSEY BOARD OF PUBLIC UTILITIES

Stakeholder Meeting Notes:

New Jersey RPS Solar Set Aside & Related Matters
NJ BPU (Newark, NJ)
March 18, 2009

Meeting Participants: Joe Roenbeck, PSEG; James Hough, PSEG; Allison Mitchell, OCE; Bill Granger, Trinity Solar; Tom Ryan, Pro-Tech; Charlie Howland, Penn Energy Trust LLC; Cynthia Holland, Division of Law; Chris Siebens, JCP&L; Elliott Shanley, PVOne; John Dresinger, Vanguard Energy Partners; Dennis Wilson, Renewable Power; Howard Thompson, Russ Tumulty etal; Lyle Rawlings, NSEIA; Maureen Quaid, CSG; Susan LeGros, Steven and Lee for Solar Alliance; George St.Onge, RR Renewable; Marc Lasky, Morgan Lewis for JCP&L; Kevin Connelly, JCP&L; Mack Brown, Panda Energy; Bob Simpson, Brother Sun Solar; Cheryl Ruggiero, RECO; Wayne Hudders, Pepco Energy Services; John Koontz, Carbon Free Technology; Stefano Crema, CALL; Felicia Thomas-Friel, Rate Counsel; Steve Huber, PSE&G; Ed Merrick, Trinity Solar; Greg Eisenstark, PSE&G; Doug Johnstone, PSEG Solar Source; Holly Minogue, Gabel Assoc; Ronald Jackson, BPU; Pamela Frank, SunFarm Ventures; James Calore, PSE&G; Don Cook, PSE&G; Anne Marie McShea, BPU; Scott Hunter, BPU, Lance Miller, BPU; Michael Winka, BPU; George A. Ringel; David E. Dismukes, Consultant for Rate Counsel; Matt Elliott, Environment NJ; Rhonda Jackson, Fisherman's Energy; Supria Ranade, Evolution Markets Inc.; Lenny Leon, Rockland Electric Company; Russ Ehrlich, Pepco Holdings Inc; George Hay.

Welcome: An RPS Working Group Stakeholder meeting was convened at the BPU Hearing Room at 2 Gateway Center, 8th Flr (Newark, NJ) on March 18, 2009. Lance Miller, BPU Chief of Policy of Planning, provided opening comments. BPU is initiating a rule making process to amend the Renewable Portfolio Standards to meet the goals specified under the Energy Master Plan (EMP). As part of that process we are consulting stakeholders for input on proposed rule changes. Discussion will focus on two proposed rule amendments: 1) RPS Solar Carve-out and 2) Other RPS Amendments related to the EMP.

1. **Review and Discussion of EMP Goals for Solar**: BPU Staff reviewed original EMP projections for energy demand were estimated at 100,000 GWh by 2020. However if you factor in energy efficiency goals a revised projections is closer to 80,000 GWh which would negatively impact the Solar 2% carve-out and demand for SRECs. The EMP thus calls for a fixed solar target in GWhs which will provide the industry more certainty about demand for SRECs. The Solar goal was thus set at *2,120GWh of Solar by 2020.*

   EMP Goal 3: *Strive to exceed the current RPS and meet 30% of the State's electricity needs from renewable sources by 2020. Change the solar energy goals from a percentage of 2.12% to a goal of 2,120GWh by 2020. This will ensure that reductions in energy consumption, as a result of this plan, will not suppress the development of solar energy development in the State. The percentage requirement, given the energy reduction targets articulated in this plan, would result in approximately 1300 MW of solar energy capacity installed, compared to 1800 MW with the revised GWh goal.*

   To reach *2,120GWh of Solar by 2020* the following issues were discussed:

   - When should the rule become effective?
   - What is the appropriate methodology for allocating SREC requirements/obligation to the load serving entities (LSE's)?
   - What is the appropriate schedule for reaching this goal?
   - Proposed Schedule for Rule Adoption by December 2009

2. When should the rule become effective?

- Pepco Energy Services (PES) a third party supplier notes that under BGS, they have contracts with end use customers that go out 1-5 yrs which includes an SREC component in it. Any revision would require lead time to avoid serious cost implications. PES recommends 3-5 yrs and a minimum of 3yrs. Others commented that if electricity use continues to fall as assumed, under a GWh scenario LSEs would be required to acquire more SRECs at greater cost per MWh. E. Shandley suggests that under a 'change in law' clause they would be able to pass through costs. BPU advised that given the BGS process is a three year commitment it would make sense if the horizon would be set at least 3 yrs out. Tony Robbins with PSEG concurs that 3 yrs is a minimum.
- BPU recommends this should this be done on an EY basis which was agreed by all. Some solar industry representative suggested that if we have an annual BGS auction, why not implement asap and incorporate into the next BGS auction for 1/3. EDCs noted that the Annual RPS reporting will be complicated if two separate types of goals are being use. L. Miller notes three years is consistent with policy and appropriate considering the current shortage of SRECs as well as all the new programs (SREC Pilot Program and New PSE&G, JCPL, RECO, ACE Solar Financing programs) that are being launched. Three years would allow those programs to come into play.

Decision / Next Steps: The Solar RPS Amendment will become effective upon adoption but will provide a three year time frame before the new solar GWh target will take effect in order to provide adequate time for the BGS suppliers to factor in the new requirements. Staff proposes new GWh goals / requirements be factored into the BGS Auctions beginning in EY 2013.

3. What is the appropriate methodology for allocating SREC requirements/ obligation to the load serving entities (LSE's)?

- Some stakeholders noted that energy is a variable priced product. Its easier for LSEs to blend in a percentage requirement which adjusts proportionally to changes in load. Moving to a fixed GWh requirement for SRECs (e.g. 1000 MWhs versus 2% of load served) would create variability and add risk. In a high energy year the SREC requirement would be a lower percentage of supplier load but in a low energy year, SREC requirement would be a higher percentage of load and more costly per MWh.
- While this approach creates some additional risk for suppliers per shifts in load - it takes the variability in how much solar capacity is needed out of the equation for solar developers. This creates a more favorable climate for long term contracts and solar development overall. Solar industry representatives also noted that the actual SREC requirement will vary no more than the total load may vary which is typically less than 1%. Variance in SREC price has far greater impact on cost.
- The LSEs noted that while they may know total number of SRECs to be purchased in that year, they won't know the total sales or percentage for each supplier. It was agreed that BPU would need to provide an estimated percentage of sales per supplier based on settlements which go from May 31st – August 30th. Final BGS settlement numbers come out in early/mid August – total statewide load and each suppliers load. In August of each year BPU could put out final numbers for load served by each supplier thus determining the SREC requirement. Utilities will need 60 days to file based on the info provided by the LSEs. True up can assist with forecast for next year.

Decision / Next Steps: The LSEs requirement will be based on their percentage of the total statewide load. LSE's will know the total Solar GWh requirement in advance and will estimate their percentage of the requirement based on their load and the Final BGS settlement numbers that are released in early/mid August.

4. What is the appropriate schedule for reaching this goal?

- L. Rawlings noted that the target for 2021 is set in the EMP. The schedule should be set based on fixed number using a smooth accelerating curve up to 2021.
- James Howe of PSEG suggested an alternative is to fix the percentage three years out. BGS is bid on a per MWh basis and if SREC is divorced from that there is a risk. If you reduce your load, the cost per MWh for SRECs goes up. As long as the percentage is known the TPS can factor it into the BGS.
- However TPS know every month what their load is and the percentage of total load served. The solar industry needs certainty in knowing what the MWh goal will be.

Decision / Next Steps: Staff will propose a Solar schedule to be set based on a fixed number using a smooth accelerating curve up to 2021. Further discussion may be needed on how to work these requirements into the BGS auction.

5. What is the Proposed Schedule for Rule Adoption by December 2009 ?

- Proposed Schedule for Rule Adoption by December 2009

Draft Rule Proposal	15–May-09
Proposal to Board	14-June-09
Proposal in N.J.R.	06-Aug-09
Proposal to OAL	04-Jul-09
Comments Close	04-Oct-09
Adoption to Board	10-Nov-09
Adoption to OAL	25-Nov-09
Adoption in N.J.R.	21-Dec-09

Decision / Next Steps: Staff will draft Rule Proposal with key issues and proposed schedule. Proposed Schedule pushed back slightly considering 3 yr time frame for transition / implementation.

6. What are the proposed amendments to the RPS Rules (14:8-2.8) metering requirements?

- BPU Staff reviewed current RPS Rules (14:8-2.8) *Procedure for issuance of class I and solar RECs by the Board or its designee* which calls for meter readings or annual engineering estimates. The BPU is proposing that the rule be amended so that engineering estimates are no longer accepted as follows:

(b) In measuring generation in order to determine the number of class I or solar RECs to issue, the Board or its designee shall accept either of the following measurement methods, as applicable: 1. Periodic readings of a meter that records megawatt-hour production of electrical energy. The readings may be taken or submitted by any person, but shall be verified by the Board or its designee; or[2.~~For a solar electricity system with a capacity of less than 10 kilowatts, annual engineering estimates and/or monitoring protocols approved by the Board. Acceptable estimation methodologies and monitoring protocols are located on the Board's website at www.njcleanenergy.com. This method does not apply for class I RECs.]~~

Staff notes that a revenue grade meters is about $200 plus installation which is less than the cost of an SREC.

Decision / Next Steps: Staff is requesting comments on eliminating part b of NM rules that allows for engineering estimates to calculate SRECs. Staff is also interested in receiving input on definitions for eligible meters. This issue will be addressed within the RPS amendments for solar carve-out to be drafted May 2009.

7. What is the status of the proposed Phase I Amendments for the Net Metering requirements?

- Phase I NM rule changes to go to Board April 27, 2009.

8. What is the status of Phase II amendments to the net metering requirements?

- Real Time Crediting Recap: (Definition of excess generation; meter requirements; rate designation by customer or utility and; time increments)
- BPU is requesting Comments and Pilots on Real time Crediting: Can the same methodology used for calculation of consumption be used to calculate generation and can billing reflect time of generation and time of use? PSEG and JCP&L have only two ceip customers on solar which could provide a Pilot. Time of use customers have much simpler framework which is not hourly billing or metering. Real time crediting and time of use are two very different methodologies that are not really related. Larger facilities like ACUA may provide a model.
- California program for real time crediting may provide relevant model.

Decision / Next Steps: Staff will follow up with EDCs on possible pilot candidates and draft a request for participation in a Real Time Net Metering Pilot for circulation.

9. What is the status of the Community Renewables Program?

- Recommendations on a framework for a Community Renewables Pilot Program will be presented to the Board in May 2009 for consideration.
- Board will consider directing staff to work with stakeholders to establish a Pilot Program
- Staff is requesting description of possible Community Renewable Pilot Project to help inform the Boards consideration of the pilot program
- All stakeholders will have an opportunity to comment on the design and scope of a Pilot Program before it goes forward.

Decision / Next Steps: Staff to recommend establishment of a Community Renewables Pilot Program at the next available Board Agenda Meeting (May 2009).

10. Request for Comments on Interconnection Requirements for SRECs

- BPU has issued a Request for Comments on requirements for interconnection to the local distribution system. Solar Alliance asked about who has requested this and what is the impact on SRECs and ratepayers. BPU staff noted that PPL submitted comments during the Solar Transition and requested that systems connected to the transmission system be allowed to qualify for SRECs. Discussion centered around the question that if solar is connected to transmission system does it provide local benefits? BPU clarified the question by asking if there is a difference between the attributes of SRECs connected to the transmission system in NJ versus to local distribution system?
- Some stakeholders commented that if you are connected to the distribution system you are adding local benefits whereas if connected to the transmission system in NJ you are not adding any local benefit. Others commented that if you add energy to transmission or distribution system – both provide reliability and back stop. In other words the benefits flow down to distribution. Some disagreed noting benefits are very different. PSEG notes that there is value in interconnecting to transmission or subtransmission system by affecting LMP prices but that it is essentially a wires issue and depends on the individual project. (e.g. a 15MW project could be connected at transmission or subtransmission level. Theoretically more benefit would be seen at subtransmission level but if it's a lightly loaded sub station the benefit could be diminimus.) Others noted that allowing projects to interconnect to the transmission system would likely increase supply of SRECs in the system which could reduce

cost of SRECs. PSEG offered language in their initial comments on this issue and will refine and resubmit.

Decision / Next Step: Request for Comments is posted online at www.NJCleanEnergy.com. Comments are due April 24th to oce@bpu.state.nj.us